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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

DEC5078 – INTRODUCTION TO ECONOMICS (All sections / Diploma)

22 OCTOBER 2018
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 13 pages including the cover page.
2. Answer all questions from SECTION A in OMR sheet, and SECTION B in answer booklet provided.

SECTION A.**Answer all questions. (Total 40 marks)**

1. The best definition of economic is the study of how people, business, governments, and societies _____.
 - a. choose abundance over scarcity
 - b. make choices to cope with scarcity
 - c. use their infinite resources
 - d. attain wealth
2. Following are the concerns of macroeconomic **EXCEPT** _____.
 - I. How much tin to produce.
 - II. How much output to produce in a country.
 - III. Aggregate price level of consumer.
 - IV. National income.
 - a. I only.
 - b. II and III.
 - c. III and IV.
 - d. I, II, III and IV.
3. Mariam is a farmer that works on producing many types of vegetables. Which factors of production Mariam falls in?
 - a. Land.
 - b. Capital.
 - c. Entrepreneurship
 - d. Labour.
4. The boundary between those combinations of goods and services that can be produced and those cannot is referring to _____.
 - a. economic growth
 - b. microeconomics
 - c. macroeconomic
 - d. production possibility frontier
5. After flood destroyed parts of Kelantan region in 2014, we can be sure that the production possibilities frontier for that area temporarily _____.
 - a. shifted inward, toward the origin
 - b. shifted outward, away from the origin
 - c. became flatter
 - d. became steeper

Continued ...

6. When we produce two different goods at efficient point, _____.
- a. our choice of the goods can be either on or within the production possibilities frontier
 - b. we can satisfy all our wants
 - c. the opportunity cost of another good is zero
 - d. we face a tradeoff and incur an opportunity cost
7. Any production point outside the production possibilities frontier is _____.
- a. associated with unused resources
 - b. unattainable
 - c. attainable only if prices fall
 - d. attainable only if prices rise

Question 8 and 9 is referring to Table 1 below.

Point	Production of rice (kg)	Production of pencils (pencils)
A	0	30
B	3	28
C	6	24
D	9	18
E	12	10
F	15	0

Table 1

8. Table 1 lists six points on the production possibilities frontier for rice and pencils. Which of the following combinations is unattainable?
- a. 9 kg of rice and 18 pencils.
 - b. 3 kg of rice and 26 pencils.
 - c. 7 kg of rice and 24 pencils.
 - d. 15 kg of rice and 0 pencils.
9. Table 1 shows production possibility frontier for rice and pencils. From this information, the economy is efficiently produce at _____.
- a. 12 kg of rice and 10 pencils
 - b. 3 kg of rice and 39 pencils
 - c. 8 kg of rice and 18 pencils
 - d. 6 kg of rice and 26 pencils

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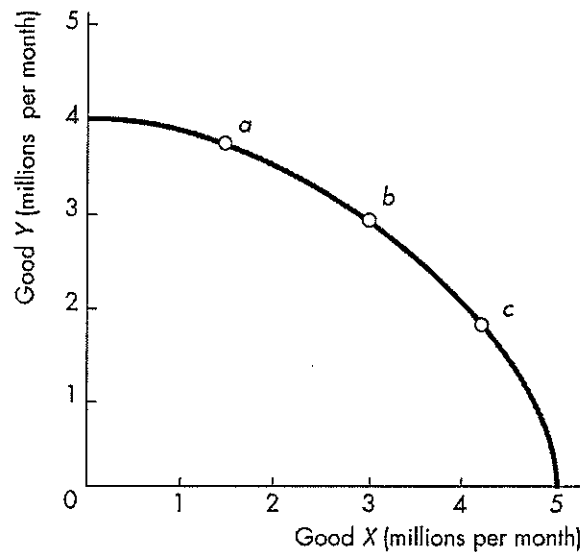


Figure 1

10. From figure 1, as output moves from point *a* to point *b* to point *c* along the PPF, the opportunity cost of one or more unit of good *X* will _____.
- | | |
|----------|--------------------------------------|
| a. rises | c. unchanged |
| b. falls | d. rises for a while and falls again |
11. When consumers plan to buy during a given time period at a given price, it is referring to _____.
- | | |
|----------------------|---------------------|
| a. quantity supplied | c. change in supply |
| b. quantity demanded | d. change in demand |
12. Which of the following is consistent with the law of demand?
- | |
|--|
| a. An increase in the price of a chicken causes an increase in of chicken demanded. |
| b. A decrease in the price of a milk causes a decrease in the quantity of milk demanded. |
| c. An increase in the price soda causes a decrease in the quantity of soda demanded. |
| d. A decrease in the price of juice causes no change in the quantity of juice demanded. |

Continued ...

13. Each point on the demand curve reflects _____.
- all the wants of a given households
 - the highest price consumers are willing and able to pay for that particular unit of a good
 - the highest price sellers will accept for all units they are producing
 - the lowest-cost technology available to produce a good
14. When the price of a printer rises, demand for ink cartridge will go down. The relationship between the two goods is _____.
- no relationship
 - substitute
 - demand and supply relationship
 - complement
15. Which of the following influences does **NOT** shift the supply curve?
- People deciding that they want to buy more of the product.
 - A rise in the wages paid workers who produce the good.
 - The development of new technology.
 - A decrease in the number of suppliers.
16. A rise in the price of a good causes producers to supply more of the good. This statement illustrates _____.
- the law of demand
 - the law of supply
 - a change in demand
 - a change in supply

Question 17 and 18 are referring to Table 2 below.

Price (RM per unit)	Quantity supplied (kg)	Quantity demanded (kg)
5	10	30
8	15	25
9	20	20
12	25	16
14	30	10

Table 2

17. The table 2 above shows demand and supply scheduled for peanuts. What is the equilibrium quantity and equilibrium price for peanuts?
- 10 kg, RM10 per kg.
 - 15 kg, RM8 per kg.
 - 20 kg, RM9 per kg.
 - 30 kg, RM5 per kg.

Continued ...

18. Based on table 2 demand and supply scheduled for peanuts, if the price RM8 per kg, there is _____.
- a. shortage of 10 kg of peanuts
 - b. shortage of 20 kg of peanuts
 - c. surplus of 11 kg of peanuts
 - d. shortage of 8 kg of peanuts
19. When there is a surplus in the market, the quantity sold is _____.
- a. equal to the quantity supplied
 - b. less than the quantity demanded
 - c. equal to the quantity demanded
 - d. greater than the quantity bought
20. When situation of shortage exists, it _____.
- a. means resources are being allocated efficiently
 - b. pushes the price up
 - c. pushes the price down
 - d. is impossible in a market economy
21. When the price of a bread increases from RM1 to RM1.50, the quantity of bread demanded decreases from 150 to 120 a day. What is the price elasticity of demand for a bread?
- a. 0.80
 - b. 0.71
 - c. 0.61
 - d. 0.50
22. Which of the following are the factors that influence the elasticity of demand?
- I. Cheap cost of production.
 - II. The closeness of substitutes.
 - III. The proportion of income spent on the good.
 - IV. The time elapsed since a price change.
- a. I only.
 - b. I and II.
 - c. I, II, and III.
 - d. II, III, and IV.
23. In price elasticity of demand, a price cut increases total revenue if demand _____.
- a. inelastic
 - b. perfectly inelastic
 - c. elastic
 - d. unit elastic

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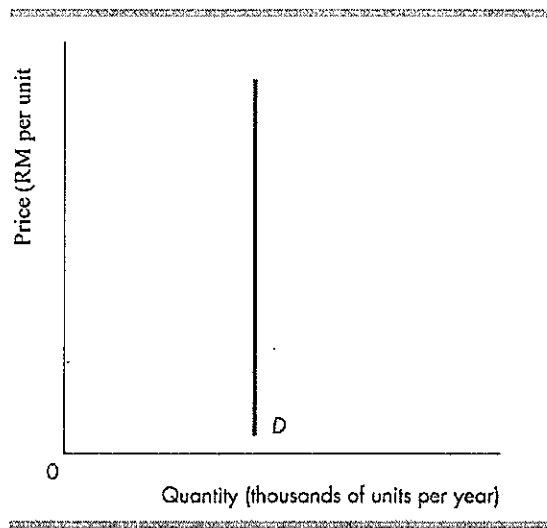


Figure 2

24. From figure 2 above illustrates the demand curve for a good. The good has _____.
- a. only one substitute
 - b. no substitutes
 - c. only a few substitutes
 - d. many substitutes
25. The cross elasticity of demand is calculated as the percentage change in the _____.
- a. quantity demanded of one good divided by the percentage change in the price of another good
 - b. price of one good divided by the percentage change in the quantity demanded of another good
 - c. quantity demanded of one good divided by the percentage change in the quantity demanded of another good
 - d. price of one good divided by the percentage change in the price of another good
26. Roy earns RM1,000 per week as a fishing guide in Pahang. With this money, he buys fishing rod and steaks. The rod cost RM5 each and the steak cost RM10 each. With this level of income, which consumption points are **NOT** possible?
- a. 200 rods, 0 steaks.
 - b. 80 rods, 20 steaks.
 - c. 50 rods, 50 steaks.
 - d. 100 rods, 60 steaks.

Continued ...

27. Sarah just received her salary increment this month, her budget line will _____.
- a. shifts outward
 - b. shifts inward
 - c. become steeper
 - d. become flatter
28. Total benefit that Lina gets from eating an additional burger is called the _____ the burger.
- a. net gain from
 - b. total utility from
 - c. quantity demanded of
 - d. demand for

Question 29 and 30 is referring to Table 3 below.

Num. of cookies	Sudin's Total Utility
2	30
5	55
8	75
10	90
12	120

Table 3

29. Table 3 above shows Sudin's total utility from consuming cookies. As Sudin's consumption of cookies increases, _____.
- a. both his total utility and his marginal utility increase
 - b. his total utility decreases, but his marginal utility increases
 - c. his total utility increases, but his marginal utility decreases
 - d. both his total utility and his marginal utility decrease
30. From table 3 above, calculate Sudin's marginal utility if he increases his consumption of cookies from 8 to 10 cookies.
- a. 9.5
 - b. 8.5
 - c. 7.5
 - d. 6.5

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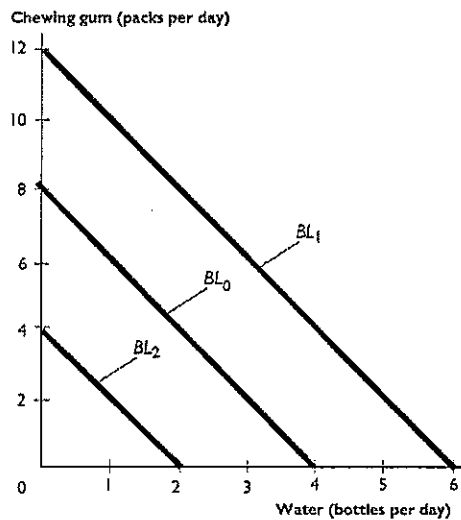


Figure 3

31. Based on figure 3 above, which of the following would lead the consumer's budget line to shift from BL₀ to BL₁?
- A rise in the price of water.
 - An increase in the consumer's budget.
 - A decrease in the consumer's budget.
 - A fall in the price of water.
32. Economic efficiency definitely occurs whenever _____.
- the firm produces a given output at the least cost
 - the most modern technology is used in the production process
 - there are no implicit costs
 - a firm cannot increase its output without increasing all its inputs
33. Technological efficiency necessarily means producing _____.
- at minimum cost
 - without using more inputs than necessary
 - with the highest level technology available
 - technology itself
34. An economic profit is _____.
- the average return for supplying entrepreneurial ability
 - equal to the firm's total revenue minus its normal profit
 - an opportunity cost of operating the firm
 - equal to the firm's total revenue minus its opportunity cost

Continued ...

35. A single-price monopoly is characterised by _____.
- the firm is a price taker
 - demand is perfectly elastic
 - there are many close substitutes for the firm's product
 - price exceeds marginal revenue (MR)
36. Monopolistic competition firms charge it prices that are _____ those of the other firms in the market.
- close to
 - very different
 - the same as
 - did not charge price at all
37. Monopolistic competition practices _____ if the firm makes a product that is slightly different from the products of competing firms.
- price taker
 - product differentiation
 - fix price
 - collusion

Question 38 and 39 is referring from figure 4 below.

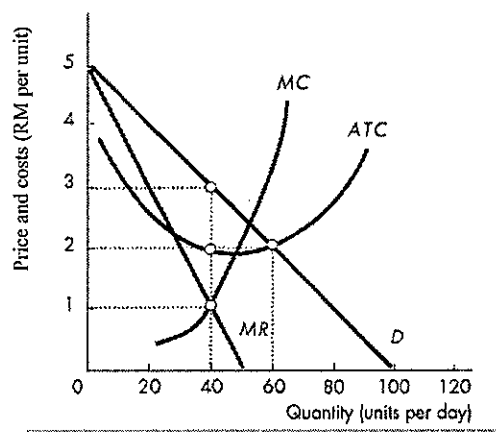


Figure 4

38. From figure 4, identify how many units the firm in monopolistic competition will produce.
- 10
 - 20
 - 40
 - 60

Continued ...

39. In the figure 4 above, if the firm is in monopolistic competition, its price will be _____.
- a. RM1
 - b. RM2
 - c. RM3
 - d. RM4
40. A firm is said to have excess capacity when _____.
- a. product differentiation
 - b. the presence of a large number of buyers
 - c. the mobility of firms into and out of the industry
 - d. imperfect information about price

Continued ...

SECTION B: Answer ALL questions. (20 marks each question)**QUESTION 1**

(a) Answer the following questions based on table 4 below.

Item	RM (millions)
Personal Consumption	6,198
Private Investment	2,525
Government consumption	3,642
Imports	1,698
Exports	1,500
Transfer payments	2,188
Depreciation	1,688

Table 4

- Define GDP. (2 marks)
- Compute the GDP. (4 marks)
- List **TWO (2)** items under income approach in measuring the GDP. (2 marks)

(b) Answer all questions based on table 5 below.

Item	2016		2017	
	Quantity	Price (RM per unit)	Quantity	Price (RM per unit)
Shoes	100	150	200	160
Shirt	80	180	100	185

Table 5

- Calculate Nominal GDP for year 2016 for shoes and shirt. (4 marks)
- Calculate Nominal GDP year 2017 for shoes and shirt. (4 marks)
- Calculate real GDP year 2017 for both item. (2016 as the base year). (4 marks)

Continued ...

QUESTION 2

- (a) Discuss **THREE (3)** functions of money. (6 marks)
- (b) Explain **THREE (3)** objectives of Bank Negara Malaysia. (6 marks)
- (c) Answer all questions based on Table 6 below.

Component	Amount (RM)
Currency	400
Checking deposits	600
Savings deposits	350
Traveler's checks	100
Time deposits	2,000
Money market mutual funds	880
Available credit on credit cards	770

Table 6

- i. Calculate M1. (2 marks)
- ii. Based on your answer in (i) calculate M2. (3 marks)
- iii. List **THREE (3)** types of depository institutions. (3 marks)

QUESTION 3

- (a) Explain **THREE (3)** labour market indicators. (3 marks)
- (b) Discuss **THREE (3)** classification of unemployment with an example for each classification. (9 marks)
- (c) Briefly define inflation and hyperinflation. (4 marks)
- (d) Explain **TWO (2)** effects of inflation. (4 marks)

[TOTAL 60 MARKS]**End of Page.**